

# Auditor's Summary

## Financial and Compliance Audit of the Hawai'i Housing Finance and Development Corporation

Financial Statements, Fiscal Year Ended June 30, 2019



PHOTO: HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

**THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Housing Finance and Development Corporation, as of and for the fiscal year ended June 30, 2019, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which set forth audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.

### About the Corporation

#### HHFDC WAS ESTABLISHED

by the State Legislature in 2006. Its mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development, such as housing tax credits, low-interest construction loans, equity gap loans, and developable land and expedited land use approvals. The agency is administratively attached to the Hawai'i Department of Business, Economic Development and Tourism.

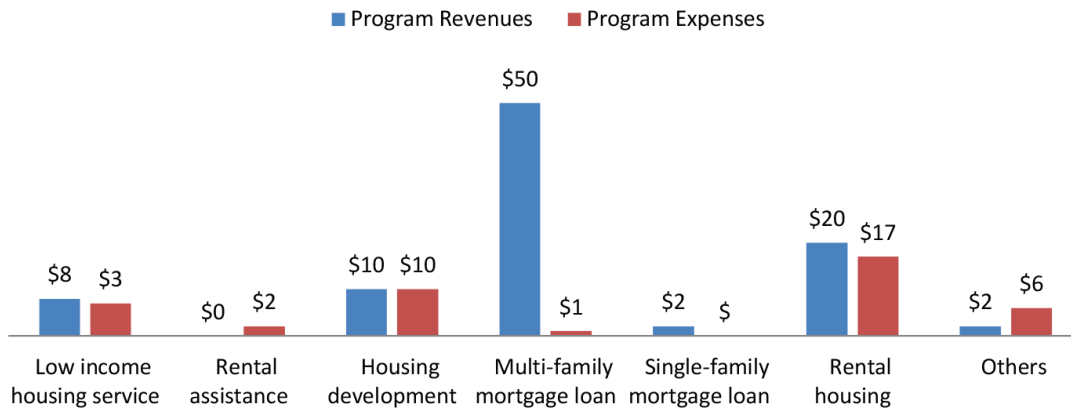
### Financial Highlights

**HHFDC HAS TWO TYPES** of funds: governmental funds and proprietary funds. HHFDC's governmental funds are supported primarily by appropriations from the State's General Fund, federal grants, and proceeds of the State's general obligation bonds allotted to HHFDC. HHFDC's governmental funds include (1) the HHFDC's General Fund, (2) the HOME Investment Partnership Program, (3) the General Obligation Bond Fund, (4) the Tax Credit Assistance Program Fund, (5) the National Foreclosure Mitigation Counseling Program Fund, and (6) the Housing Trust Program Fund.

HHFDC's proprietary funds operate similar to business-type activities and are used to account for those activities for which the intent of management is to recover (primarily through user charges), the cost of providing services to customers. HHFDC's proprietary funds include the Rental Housing Revolving Fund, the Dwelling Unit Revolving Fund, three revenue bond funds, and several other non-major enterprise funds.

For the fiscal year ended June 30, 2019, HHFDC reported total program revenues of \$92 million and total program expenses of \$43 million.

## Program Revenues and Expenses (in millions)



As of June 30, 2019, the agency reported total assets and deferred outflows of resources of \$1.3 billion, comprised of (1) cash of \$573 million, (2) investments of \$46 million, (3) notes and loans receivable of \$537 million, (4) monies due from State and other State departments of \$34 million, (5) net capital assets of \$64 million, and (6) other assets and deferred outflows of resources of \$84 million. The agency reported total liabilities and deferred inflows of resources of \$111 million, comprised of revenue bonds payable of \$21 million, unearned income of \$22 million, estimated future costs of development of \$39 million, and other liabilities and deferred inflows of resources of \$29 million.

## Auditors' Opinions

**HHFDC RECEIVED AN UNMODIFIED OPINION** that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HHFDC also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

## Findings

**THERE WERE NO REPORTED DEFICIENCIES** in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance* for federal funds. The auditors identified a deficiency in internal control over compliance that was considered a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The deficiency is described on page 84 of the report and notes 24 CFR section 93.404 requires grantees to have and follow written policies, procedures, and systems, including a system for assessing risk of activities and projects and a system for monitoring entities to ensure that requirements are met. The report notes HHFDC has established policies and procedures to ensure compliance, however, these policies and procedures were not written.

For the complete report and financial statements visit our website at:  
[http://files.hawaii.gov/auditor/Reports/2019\\_Audit/HHFDC2019.pdf](http://files.hawaii.gov/auditor/Reports/2019_Audit/HHFDC2019.pdf)